



FEDERAL ELECTION COMMISSION

WASHINGTON, D C 20463

APR 16 2010

VIA ELECTRONIC MAIL
and FIRST CLASS MAIL

Christopher DeLacy, Esq.
Holland & Knight
2099 Pison Ave., N.W.
Suite 100
Washington, D.C. 20006

Re: MUR 6054
Vernon G. Buchanan

Dear Mr. DeLacy:

On August 26, 2008, the Federal Election Commission notified your client, Vernon G. Buchanan, of a complaint alleging violations of certain sections of the Federal Election Campaign Act of 1971, as amended ("the Act"). On December 31, 2009, the Commission notified Representative Buchanan that it had ascertained information in the normal course of carrying out its supervisory responsibilities that he may have knowingly accepted contributions to Vern Buchanan for Congress that were made by one person in the name of another person in violation of 2 U.S.C. §§ 441f and 441a(f). On January 15, 2010, the Commission provided additional information to Representative Buchanan identifying the specific contributions that he may have knowingly accepted from Hyundai of North Jacksonville ("HNJ") that were made in the names of HNJ employees and other individuals.

Upon further review of the allegations contained in the complaint, and information ascertained by the Commission in the normal course of carrying out its supervisory responsibilities, the Commission, on March 17, 2010, found that there is reason to believe that Vernon G. Buchanan, knowingly and willfully violated 2 U.S.C. §§ 441f and 441a(f). The Factual and Legal Analysis, which more fully explains the Commission's finding, is attached for your information.

Your client may submit any factual or legal materials that he believes are relevant to the Commission's consideration of this matter. Where appropriate, statements should be submitted under oath.

In the absence of additional information, the Commission may find probable cause to believe that a violation has occurred and proceed with conciliation.

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Please note that Mr. Buchanan has a legal obligation to preserve all documents, records and materials relating to this matter until such time as you are notified that the Commission has closed its file in this matter. See 18 U.S.C. § 1519.

If Mr. Buchanan is interested in pursuing pre-probable cause conciliation, you should so request in writing. See 11 C.F.R. § 111.18(d). Upon receipt of the request, the Office of the General Counsel will make recommendations to the Commission either proposing an agreement in settlement of the matter or recommending declining that pre-probable cause conciliation be pursued. The Office of the General Counsel may recommend that pre-probable cause conciliation not be entered into at this time so that it may complete its investigation of the matter. Further, requests for pre-probable cause conciliation will not be entertained after briefs on probable cause have been mailed to you.

Requests for extensions of time will not be routinely granted. Requests must be made in writing at least five days prior to the due date of the response and specific good cause must be demonstrated. In addition, the Office of the General Counsel ordinarily will not give extensions beyond 20 days and the execution of an appropriate tolling agreement will be required.

This matter will remain confidential in accordance with 2 U.S.C. §§ 437g(a)(4)(B) and 437g(a)(12)(A) unless you notify the Commission in writing that your client wishes the investigation to be made public.

If you have any questions, please contact Michael Columbo or Jack Gould, the attorneys assigned to this matter, at (202) 624-1650.

On behalf of the Commission,


Cynthia L. Bauckly
Vice Chair

Enclosures

Factual and Legal Analysis

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BEFORE THE FEDERAL ELECTION COMMISSION

FACTUAL AND LEGAL ANALYSIS

In the Matter of)
) MUR 6054
Representative Vernon G. Buchanan)

I. GENERATION OF MATTER

This matter was generated by a complaint filed with the Federal Election Commission by Citizens for Responsibility and Ethics in Washington, Melanie Sloan, David J. Padilla, and Carlo A. Bell. See 2 U.S.C. § 437g(a)(1).

II. FACTUAL SUMMARY

This matter concerns at least \$70,000 in campaign contributions allegedly received by Vern Buchanan for Congress ("VBFC" or "Committee") during the 2006 and 2008 election cycles that were reimbursed with the funds of car dealerships in which Representative Vern Buchanan ("Buchanan") currently holds, or previously held, a majority ownership interest, including 11-2001 LLC d/b/a Hyundai of North Jacksonville ("HNJ") and 1099 L.C. d/b/a Venice Nissan Dodge ("VND"). There is information that Buchanan and his Committee were aware at the time of the contributions made by employees of HNJ that the funds used to make the contributions came from HNJ through undisclosed reimbursements to the individual contributors.

More specifically, there is information that:

- Buchanan pressured his minor partners in car dealerships he controlled to contribute to his political campaigns and to raise contributions to VBFC.

1 • During his campaigns in the 2006 and 2008 election cycles, Buchanan
2 told Sam Kazran ("Kazran"), his partner at HNJ, to reimburse
3 contributions to VBFC with HNJ funds.

4 • In October 2008, Buchanan presented Kazran with a false affidavit
5 stating that Buchanan was unaware of reimbursed contributions at HNJ
6 and pressured him to sign it.

7 • As early as 2003, Buchanan authorized the reimbursement of federal
8 contributions, despite being told that it was illegal to do so.

9 Based upon this information, described more fully below, there is reason to
10 believe that Representative Vernon G. Buchanan knowingly and willfully violated
11 2 U.S.C. § 441f by knowingly accepting contributions made in the name of another and
12 § 441a(f) by knowingly accepting excessive contributions in violation of applicable law.¹

13 **A. PRESSURE TO RAISE CONTRIBUTIONS**

14 There is information that Buchanan pressured his minor partners in the car
15 dealerships he controlled to contribute to his campaigns and raise contributions from
16 dealership managers, employees, vendors, and customers. Specifically, there is
17 information that (1) Buchanan asked his partners during partnership meetings and phone
18 calls to fundraise for his campaign; (2) pressure to raise funds intensified as the campaign

¹ Prior to the General Counsel's Office making any recommendations to the Commission as to whether there is reason to believe that Vernon Buchanan may have violated the Act, the General Counsel's Office notified him that the Commission had ascertained information in the course of carrying out its supervisory responsibilities indicating that he may have knowingly accepted contributions that were made by one person in the name of another person in violation of 2 U.S.C. §§ 441a(f) and 441f. See letter from Ann Marie Terzaken to Vernon Buchanan dated December 31, 2009. After a further exchange of correspondence, on February 5, 2010, the General Counsel's Office sent a letter to counsel for Buchanan, and invited him to file any information it deemed relevant by February 11, 2010. To date, Buchanan has not provided any additional information.

1 progressed; and (3) the expectation was that the partners needed to contribute and raise
2 contributions from others.

3 At the relevant times, Buchanan was the majority owner of approximately fifteen
4 to seventeen car dealerships, primarily located in Florida.² House of Representatives
5 Financial Disclosure Reports for Vernon Buchanan (May 11, 2006). Each dealership was
6 typically structured as a limited liability company owned by a company that Buchanan
7 fully owned and a business partner who was responsible for the daily operation of the
8 dealership. All of the Buchanan companies that held Buchanan's controlling ownership
9 share of the dealerships were run from a single corporate office by a common set of
10 managers. The common executives who managed Buchanan's controlling interest in the
11 dealerships included John Tosch as Chief Executive Officer and Dennis Slater as
12 Corporate Controller and, later, Chief Operating Officer.³ All of the operating partners as
13 well as Buchanan and his corporate managers (John Tosch, Dennis Slater, and others)
14 attended monthly partner meetings.

15 There is information that (1) Buchanan informed the partners that he would be
16 running for Congress and would like their help in raising money; (2) Buchanan
17 repeatedly asked for contributions, noting at times that it was the end of the FEC
18 reporting period and that he needed to have money; and (3) as time went along,
19 Buchanan's intensity with raising funds grew.

20 There is information that Buchanan's partners considered their efforts for
21 Buchanan's campaign to be a favor for Buchanan at first, but they later tired of it, and

² The partners during the 2005-2006 election cycle included, among others, David Long (Sarasota Ford), Shelby Curtiniger (Venice Nissan Dodge), and Sam Kazan (Hyundai of Jacksonville).

1 some partners felt that it was expected that they contribute or they felt compelled to
2 contribute. There is information that the solicited partners would in turn solicit
3 dealership general managers who would solicit their lower level managers and ask them
4 to write a check to VBFC, which in some cases they would reimburse. The general
5 managers and lower level managers were sometimes solicited for smaller contributions.⁴
6 There is information that some partners extensively, and in some cases repeatedly,
7 solicited dealership vendors, customers, and employees.

8 There is information that Buchanan did not use his own money for his campaign
9 because doing so would not look as impressive as if the money was raised from others.

10 **B. BUCHANAN'S ALLEGED INSTRUCTION TO REIMBURSE**
11 **CONTRIBUTIONS WITH DEALERSHIP FUNDS**

12 There is information that Buchanan instructed a business partner to have
13 contributors make contributions from joint checking accounts to permit higher
14 contributions from each contributor and directed him to reimburse the contributors using
15 dealership funds.
16

17 **1. Contributions Reimbursed with HNJ funds in 2005**

18 There is information that, in November 2005, Buchanan told his partner Sam
19 Kazran that he had to gather as much money as possible and that he expected Kazran to
20 raise \$50,000 in contributions to VBFC. There is also information that Buchanan
21 instructed Kazran that the personal checking accounts on which the employee's

⁴ There is information that although partners discussed fundraising with Buchanan, he was not the only person connected to the campaign that partners worked with on fundraising. A woman working for Buchanan in his corporate headquarters, who helped with the campaign and eventually became the campaign's spokesperson, sometimes called partners to ask them to change the amount on the contribution checks, follow-up when a contribution did not arrive on time, or otherwise apply pressure to send the money.

Cutain, Doreen A.	6/28/2006	\$2,100.00
Cutain, Doreen A.	6/28/2006	\$2,100.00
Cutain, Joseph P.	6/28/2006	\$2,100.00
Cutain, Joseph P.	6/28/2006	\$2,100.00
Khazravan, Eric	6/28/2006	\$2,100.00
Khazravan, Eric	6/28/2006	\$2,100.00
Khazravan, Heidi	6/28/2006	\$2,100.00
Khazravan, Heidi	6/28/2006	\$2,100.00

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There is information that in June of 2006 Buchanan tried to induce a business partner at HNJ to raise money for VBFC as part of negotiations for the partner's purchase of Buchanan's share of another automobile dealership. There is information that Buchanan offered to accept a proposed payment plan if the business partner committed to raising \$25,000 to \$50,000 for VBFC. There is also information that when the business partner explained he would be unable to obtain such contributions, Buchanan told him to reimburse the contributions using company funds.

3. Contributions Reimbursed with HNJ funds in 2007

There is information that HNJ funds were again used to reimburse contributions in 2007, totaling \$18,400:

Cutain, Doreen A.	12/31/2007	\$2,300.00
Cutain, Doreen A.	12/31/2007	\$2,300.00
Champ, Stephanie K.	12/31/2007	\$2,300.00
Champ, Stephanie K.	12/31/2007	\$2,300.00
Lephart, Ernest C.	12/31/2007	\$2,300.00
Lephart, Ernest C.	12/31/2007	\$2,300.00
Lephart, Gayle	12/31/2007	\$2,300.00
Lephart, Gayle	12/31/2007	\$2,300.00

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1 There is information that the total amount of reimbursed contributions to VBFC
2 using HNJ funds was approximately \$67,900: \$16,800 in 2005, \$32,700 in 2006, and
3 18,400 in 2007.

4 **4. Other Reimbursement Activities**

5 There is information that at least one other Buchanan dealership, VND,
6 reimbursed five employees' \$1,000 contributions to VBFC. There is information that
7 these bonuses are not reflected in the company's payroll records. There is information
8 that Buchanan's business partner at VND, Shelby Cutsinger, had at one time complained
9 that he would no longer reimburse contributions to VBFC because of cash flow problems
10 at the dealership.

11 **C. ALLEGED FALSE AFFIDAVIT**

12 There is information that on October 2, 2008, counsel for Buchanan presented
13 Sam Kazran, his former partner at HNJ, with a false affidavit stating that Buchanan was
14 unaware of reimbursed contributions at HNJ. Buchanan and Kazran were in the process
15 of negotiating a deal in which Buchanan would purchase Kazran's share of a dealership
16 and repay funds that Buchanan had withdrawn from the dealership. An email made
17 during the negotiation of this agreement suggests that the repayment of the HNJ funds
18 used to reimburse campaign contributions was part of the negotiations. On October 1,
19 2008, Kazran wrote to an attorney representing Buchanan in the business matter about the
20 possible terms of an agreement with Buchanan.

21 Vern had mentioned he would want to reimburse the stores a bill that he
22 and I spoke of, the total amount is \$83,500. He has cash of 52k, if he
23 likes I can get the rest or he can verify through his record. This was at
24 his request.

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1 contribute to Vern Buchanan for Congress by reimbursing campaign contributions made
2 by (in the name of) dealership employees.

3 An investigation into Buchanan's knowledge of the reimbursements and the law
4 is necessary given the available information that Buchanan instructed the raising of
5 contributions to VBPC by having employees contribute to VBPC and reimbursing those
6 employee (and spousal) contributions using the funds of HNJ, and by asking a partner to
7 sign an affidavit regarding those contributions that Buchanan allegedly knew to be false.
8 There is information that Buchanan asked partners to raise money for the campaign, and
9 at least some partners believed that they needed to contribute. There is also information
10 that Buchanan instructed the reimbursement of another contribution despite being
11 repeatedly advised that reimbursing contributions was illegal. The reimbursement of
12 contributions also appears to have included contributions made by VND employees.

13 There is information that supports an investigation into whether Buchanan
14 knowingly and willfully received contributions in the name of another and excessive
15 contributions, that is, contributions from Buchanan dealerships that reimbursed
16 contributions made in the name of their employees, including \$67,900 in contributions
17 from employees of HNJ and \$5,000 in contributions from employees of VND.
18 Accordingly, there is reason to believe that Vernon G. Buchanan knowingly and willfully
19 violated 2 U.S.C. §§ 441f and 441a(f).

20 **IV. CONCLUSION**

21 Based on the foregoing, the Commission finds reason to believe that Vernon G.
22 Buchanan knowingly and willfully violated 2 U.S.C. §§ 441f and 441a(f).

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